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New! Charitable IRA Rollover!

If you are 70½ or older temporary legislation allows you to make cash gifts totaling up to \$100,000 per year from your traditional or Roth IRA to qualified charities without incurring income tax on the withdrawal. This is good news for people who want to make a charitable gift during their lifetime from their retirement assets, but have been discouraged from doing so because of the income tax penalty. The current provision is effective for tax years 2008 and 2009 only. For the 2008 tax year, you must act by December 31st to take full advantage of the current legislation.

Charitable IRA Rollover Provision

On October 3 2008, President Bush signed into law the Emergency Economic Stabilization Act of 2008 ([H.R. 1424](#)), which includes an extension of the IRA Charitable Rollover. The extension is retro-active, applying to distributions made throughout both the 2008 and 2009 tax years. The extension allows individuals 70½ and older to donate up to \$100,000 from their IRAs tax-free to The Nature Conservancy. The gift can count toward your minimum distribution requirement.

The new provision permits distributions from traditional IRAs or Roth IRAs to qualified public charities and private operating foundations as described in IRC 170 (b)(1)(A). Whereas such distributions were previously income taxable, they are now excludable from gross income, eliminating the income tax penalty for such charitable gifts. The following limitations and restrictions apply:

- The individual for whose benefit the plan is maintained must have attained the age of 70 ½ or older at the time of gift.
- Qualified charitable distributions may not exceed \$100,000 in the aggregate in any taxable year.
- The provision applies to tax years 2008 and 2009 only. Qualified distributions must be made by December 31 of each year.
- Qualified distributions must be made directly to the charity by the plan trustee. Contact your plan trustee for information on how to initiate a transfer.
- Qualified charitable distributions may be excluded from gross income for Federal Income tax purposes. However, no federal income tax deduction is available. Certain states may not exclude gift amounts withdrawn from an IRA for state income tax purposes.

- Only outright gifts are eligible. Distributions to charitable gift annuities, charitable remainder trusts, pooled income funds and other split-interest arrangements do not qualify for special tax treatment.
- Qualified contributions may be counted toward the Minimum Required Distribution (MRD) for a donor's IRA accounts.
- Qualified contributions are not subject to the deductibility ceiling (50% of AGI) or the reduction rules for itemized deductions.
- Gifts from retirement accounts other than IRAs—such as 401k, 403b, and SEP accounts—are not eligible. Donors may be able to make qualified transfers of money from other accounts to their IRA, and then make a charitable gift from their IRA. Check with your tax adviser.
- Distributions to Supporting Organizations as described in IRC 503(a)(3) and Donor Advised Funds as described in IRC 4966(d)(2) are specifically excluded.
- Donors who do not itemize their Federal income tax returns may make qualified IRA gifts and exclude such gifts from their reportable income.

Who is most likely to benefit?

- Individuals who take mandatory minimum withdrawals, but don't need additional income.
- Individuals who wish to give more than the deductibility ceiling (50% of AGI).
- Individuals who are subject to reduction rules for itemized deductions.
- Individuals whose major assets reside in their IRAs and who wish to make a charitable gift during their lifetime.
- Individuals who intend to leave the balance of their IRA to charity at death anyway.

PLEASE NOTE: This summary is not intended as legal or tax advice.